Approved For Release 2010/06/14 : CIA-RDP89-00066R000200110009-2

United States
Office of
Personnel Management
Washington, D.C. 20415

MAR 1 - 1985 In Reply Refer To Your Reference

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for
Legislative Reference

Dear Mr. Stockman:

The Office of Personnel Management has prepared the enclosed legislative proposal, "To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes," together with appropriate accompanying documents.

The proposal will accomplish the changes proposed for the Civil Service Retirement System in the President's fiscal year 1986 budget. These changes will bring the Civil Service Retirement System more into line with non-Federal practices and reduce the high cost of the System, while preserving adequate retirement benefits for Federal employees. Major changes include: (1) computing average salary by using the highest earnings over five years rather than three years; (2) phasing in a benefit reduction of five percent for each year an employee is under age 65 at the time of retirement; (3) phasing out the practice of counting unused sick leave as service for annuity computation purposes; (4) changing the method of computing cost-of-living adjustments (COLA's); (5) omitting the COLA for fiscal year 1986; (6) changing eligibility rules for certain survivors to more closely parallel Social Security; (7) eliminating survivor benefits for students over age 18; (8) eliminating the minimum annuity for future beneficiaries; (9) excluding newly-hired employees of the government of the District of Columbia from the Federal retirement, life insurance, and health benefits programs; phasing in increased contributions by the Postal Service and the D.C. government to cover the System's dynamic normal cost; and (10) developing procedures for returning money to the Retirement Fund when checks remain uncashed.

Under 10 U.S.C. 1401a(b), changes in the COLA provisions of the Civil Service Retirement law would also automatically apply to military retired and retainer pay, which we understand is not intended with respect to all of the COLA changes in this proposal. Therefore, the proposal includes a provision that, with the exception of the elimination of the December 1985 COLA, the COLA changes in the proposal would not affect military retired and retainer pay COLA's.

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We estimate that these proposed changes in Civil Service Retirement will result in the following net savings for the unified budget:

Fiscal Year 1986	$ 883 million
Fiscal Year 1987	1,803 million
Fiscal Year 1988	2,613 million
Fiscal Year 1989	3,627 million
Fiscal Year 1990	4,699 million
1986-90 total	$13,625 million

We would appreciate receiving your advice as to whether the submission of this legislative proposal to Congress would be consistent with the Administration's program.

Sincerely,

Donald J. Devine
Director

Enclosures

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